

DAWN CLARK NETSCH

Comptroller State of Illinois

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201 State House Springfield, Illinois 62706 217/782-6000

June 25, 1991

P A Y R O L L B U L L E T I N (4-91)

TO:

All State Agencies, Departments, Boards, Commissions and Universities

SUBJECT:

Mandatory F.I.C.A. Contributions

Beginning July 1, 1991, payments for services performed <u>after</u> June 30, 1991, will be, in most cases, subject to the full 7.65% FICA tax if they are not covered under a pension plan that meets a specific defined contribution rule. <u>FICA</u>, when used in this bulletin, means the combined total of the Social Security tax (OASDI) of 6.2% and the Medicare tax (HI) of 1.45%.

The Internal Revenue Service has determined that an employee meets this minimum benefit rule if he or she contributes at least 7.5% of his or her State compensation to a pension plan. Full-time employees who are not contributing to FICA but are members of the State Employees', Teachers', Judges, General Assembly or State Universities retirement systems meet the minimum benefit rule and would not be subject to the full FICA tax. This would not affect their contributions to the Medicare tax if they began employment after March 31, 1986, in a position not requiring the full Social Security and Medicare taxes. Full-time university students working for the university remain exempt from the taxes.

CONTRACTUAL SERVICES EMPLOYEES

Persons who are currently paid through the Comptroller's contractual payroll system on C-02 vouchers can qualify for the minimum defined contribution plan if they contribute 7.5% of their earnings to the State Employees' Deferred Compensation Plan. If these persons were required to contribute to Medicare, they will continue to do so even after they join the Deferred Compensation Plan.

INSTRUCTIONS FOR COMPLETION OF C-02 VOUCHERS

Because of federal requirements, employee contributions to the Social Security tax (OASDI) and Medicare tax must be reported separately. In order to comply with Federal requirements the following procedures must be strictly followed.

- To report Medicare withholding, put the letter "M" in box 19 and the amount in box 20.
- To report Social Security withholding, put the letter "S" in box 19.1 and the amount in box 20.1.
- 3. In box 36, place a:
 - A) 1--if only Medicare is being withheld. Medicare is withheld on the first \$125,000.00 of income.
 - B) 2--if full FICA is being withheld. Social Security is withheld on the first \$53,400.00 of income. Medicare is withheld on the first \$125,000.00 of income.
 - C) 3--if the person has reached the maximum withholding;
 - D) 4--if the C-02 represents a lottery prize; and
 - E) 5--if the employee is exempt from both the Social Security and Medicare withholding.
- 4. Boxes 8b and 28 must each contain the total of boxes 20 and 20.1.
- 5. The total gross pay, excluding any expenses reported in box 11 must be indicated in box 9 immediately above box 10. This amount must be there even if it is the same figure that will appear in box 10. See Exhibit II.

PROCEDURES FOR DEDUCTIONS FOR DEFERRED COMPENSATION

If a contractual employee exercises his or her option to enroll in the State Employees' Deferred Compensation Plan, the following procedure <u>must</u> be adhered to.

- Enter the total gross compensation, excluding any expenses reported in box 11, in box 9 immediately above box 10. Enter in box 10 the compensation shown in box 9 less the amount of the deferred compensation amount.
- Medicare and Social Security will be calculated on the amount in box
 and federal and state income taxes will be calculated on the amount in box
 (See Exhibits I and II.)
- 3. The deferred amount should be vouchered to the Deferred Compensation unit of the Department of Central Management Services. It must be vouchered on voucher form C-13 from the same account as shown on the C-02 voucher using the same obligation and number and detail object code.

Exhibit I shows a properly completed C-O2 voucher for a contractual employee with deferred compensation being paid semi-monthly and subject only to the Medicare portion of the FICA tax.

Exhibit II shows a properly completed C-O2 voucher when the contractual employee is contributing to full FICA because he has not enrolled in the State Employees' Deferred Compensation Plan.

Exhibit III shows a properly completed C-02 voucher when the contractual employee started employment on or before April 1, 1986 and has enrolled in the State Employees' Deferred Compensation Plan and deferring a minimum of 7.5% of his or her compensation.

TREATMENT OF FORMER RETIREMENT PARTICIPANTS

A former employee with a deferred benefit under a defined benefit retirement system from the State Employees', Teachers', Judges, General Assembly or State Universities Retirement System who is reemployed but does not resume participation in that system may, under certain circumstances, be excluded from Social Security after becoming reemployed if his or her total accrued benefit under the system meets the minimum retirement benefit requirement. These employees will have to be looked at individually in order to make a determination. If you have such an employee, please contact Dan Steven at (217) 782-4758.

OTHER STATE EMPLOYEES

Persons eligible for 403b (Tax Sheltered Annuity) plans and not covered by a pension plan, can meet the minimum defined contribution rule if they contribute a minimum 7.5% of their compensation to the plan. If they were subject to Medicare withholding, this withholding would continue even if they join a 403b plan. Not all State employees are eligible for a 403b plan; this plan is generally restricted to persons employed in educational capacities. These persons may also enroll in the State Employees' Deferred Compensation plan in lieu of a 403b plan.

Agencies may reproduce this bulletin as needed for internal distribution purposes.

Questions regarding this bulletin should be referred to Dan Steven at (217) 782-4758.

Sincerely

Larry D. Roth

Director - State Accounting

FORM C-02

Contractual Service Voucher

STATE OF ILLINOIS

Name and Location of State Agency or Institutions

Preparation instructions for this form are on the back of:

a. Copy 6 for payee. b. Copy 5 for State agency

1. Certific		2. Soc	ial Sec	curity 1	Number	3	5. Voucher No. 1							
I hereby certify the ed the withholding the back of this for number of federa	ctions on that the state ex-		310-	36-6	795	ţ.	3 if this is your first request for payment at this address.			ount Code	8-91			
emptions claimed below does not exceed the number to which I am			4. Pay	ee Nar	me —	(Last-Fi	rst-Middle) — and	d Addres	S		001-36091-1200-00-00			
entitled. I further in compliance wit of the Illinois Pure			Jor	nes nt St	reet				8 a. State Cont. to Medicare Acct. # 001-36091-1170-00-00 (1175					
hibiting conflict of Stat. 1985, ch. 12	t (III. Rev.			ı, II		000								
which is quoted in of the first copy.									8 b. State Cont. to Medicare Amount \$14.50					
9. Give complete d	escript	ion of service	s rend	ered,	rate of	compe	nsation, period of	time co	vered and expe	nses inc	curred.			
Services re	ender	red for t	the p	perio	od 7	-1-91	thru 7-15	-91 pe	er contrac	t.				
\$1,000.00														
Taxable	Fed.	Federa Withholdi	na	Mar.	State	State	State Withholding	MC Code	Medicare Amount	Code	Amoun	,	Net Earnings	
Income 10.	Ex.	Tax Amoi	unt	Status 15.	Ex.	Code	Tax Amount 18.	19.	20.	21.	22.		23.	
925.00	1	103.11		M	1		26.50	M	14.50				780.89	
11. Non-Taxable Ex. 103 • 17	I. Non-Taxable Ex. Expenses: In block 11, enter the amount of no								20.1 Ret. Amt.	Enter Amount From Block 11			103.17	
12.							Payee Warrant-			-	Sum of 23 and 24		25. 884.06	
Enter Sum of 10 and 11								Treasurer State of Illinois-				Enter Amount From 14		
							Revenue Illinois	Enter Amount From 18			26.50			
							Social Sec Adm	Enter Amount From 20			28. 14.50			
Disposition	Enter 1-if Monthly 2-if Semi-Monthly 3-if Other				Teachers' Retire	Enter Amount From 20.1 Enter Amount From 22			28.1					
Comptroller Agency Agency					-				29					
Remittance Cop Agency	y				ident Lo dent Co	ottery mmercial	a de la							
6. Retained By Par	6. Retained By Payee						Expenditure Object Obliga			ation Number F		Add 25 thru 29		
					7-Bi-Weekly 30. 2			1245 32 . 1234				1,028.17		
35. For Agency	36. Split Reporting Indicator				Certification of Receiving Agency I certify that the goods or services specified on this voucher were for the use of agency and that the expenditure for such goods or services was authorized and law incurred; that such goods or services meet all the required standards set forth if purchase agreement or contract to which this voucher relates; and that the arm shown on this voucher is correct and approved for payment. If applicable, the re-					orized and lawfully rds set forth in the d that the amount				
		*	Date				ting requirem to define its po	ents of Sowers and	Section 5.1 of 'And duties and to m	Act to	create the Bu	reau c	of the Budget and eved April 16, 1969,	
Approved for Pay	ment						as amended,	have be	en met.					
Head of Unit or	zed Agent		C	ate	(Date) Agency Head (Signature									

FORM C-02

Contractual Service Voucher

EXHIBIT II

STATE OF ILLINOIS

Certification

Name and Location of State Agency or Institutions

3.

2. Social Security Number

Preparation instructions for this form are on

5. Voucher No.

the back of:
a. Copy 6 for payee.
b. Copy 5 for State agency

I hereby certify the	Jalion		2. Soc	ial Sec	curity N	lumber	3	L Pla	ce X in block	5. Vo	ucher No				
ed the withholding							3 if this is your first request for payment at this address.			6. Voucher Date 7-18-91					
the back of this form and that the number of federal and state ex- emptions claimed below does not exceed the number to which I am entitled. I further certify that I am			310-	-36-6	5795			7. Account Code							
			4. Pay	ee Nar	ne —	(Last-Fi	rst-Middle) — an	rst-Middle) — and Address				7. Account Code 001-36091-1200-00-00			
in compliance wit of the Illinois Pur	rovisions	John G. Jones								8 a. State Cont. to Medicare Acct. #					
hibiting conflict of					creet				001-36091-1170-00-00 (1175)						
Stat. 1985, ch. 12 which is quoted in	Anytown, IL 60000								8 b. State Cont. to Medicare Amount						
of the first copy.						\$76.50									
											1				
. Give complete d	descript	ion of service	s rend	ered.	ate of	compe	nsation, period o	f time cov	vered and expe	nses inc	curred.				
	1														
Services	rend	ered for	the	per	iod	7-1-9	91 thru 7-1	5-91	per contra	ict.					
				4											
\$1,000.00		Federa				State	State								
Taxable	Fed. Ex.	Withholdi Tax Amou	ng	Mar. Status	State Ex.	Tax Code	Withholding Tax Amount	MC Code	Medicare Amount	Code	Amount	t	Net Earnings		
Income 10.	13.	14.	arit	15.	16.	17.	18.	19.	20.	21.	22.		23.		
1,000.00	1	114.		М	1		28.75	M	14.50				780.39		
11. Non-Taxable Ex.	Exper	ses: In block	11, ent	er the	amour	nt of no	n-taxable expens ursement under t	es 19.1 he Ret.Cd.	20.1 Ret. Amt.	1	Enter Amount	103.17			
103.17	terms	of the contra	ctual a	greem	ent.			S	62.00	F	From Block 11	1	103.17		
12.							Payee Warrant-			20 1 24			25. 883.56		
1,103.17									Enter Amount			26.			
Enter Sum of 10 and 11							Treasurer State of Illinois-			From 14			114.36		
							Revenue Illinois Department of Social Sec Adm Fund Employee-				nter Amount From 18	27.			
	¥										nter Amount From 20	76.50			
			Fr	equen	cy of F	ay					nter Amount	28.1			
Disposition	on of C	opies	Enter 1-If Monthly 2-If Semi-Monthly				Teachers' Retirement System-				From 20.1				
1. Comptroller										Enter Amount			29		
 Agency Agency 			3-If O	ther							From 22				
Remittance Cop Agency	ру			on-Resident		nmercia									
6. Retained By Pa	iyee		6-Weekly 7-Bi-Weekly				Expenditure	Object	Obliga	tion Number F		Add 25 thru 29			
o. netained by Pa							31.		32.	33.		33.	34.		
o. netained by Pa	30.						1245		12345	of Receiving Agency		1	1,103.17		
				solit Re	portin	g	I certify that t	he goods	or services spe	cified or	n this voucher	r were	for the use of this		
35. For Agency	Use O	nly	36. 5	Indic	ator			-					orized and lawfully		
	Use O	nly	36. 5	Indic	ator		anency and th	at the exp	enditure for such	n goods	or services wa	as auth	ds set forth in the		
	Use O	nly	36. 8	Indic 2)		agency and the	such goo	ds or services r	n goods neet all ich this	or services wa the required s voucher relat	standar es; an	ds set forth in the		
	Use O	nly	36. 8	Indic	ator		agency and the incurred; that purchase agrees	such goo	ds or services r r contract to wh is correct and a	n goods neet all ich this	or services wa the required s voucher relat for payment.	es; and es; and . If app	d that the amount licable, the repor-		
	Use O	nly		Indic	ator		agency and the incurred; that purchase agree shown on this ting requirem	such goo eement o s voucher	ds or services not contract to who is correct and a section 5.1 of 'Ar	n goods neet all ich this approved Act to	or services wa the required s voucher relat I for payment create the Bu	standar es; and . If app ureau d	d that the amount licable, the repor- of the Budget and		
		nly	Date	Indic	ator		agency and the incurred; that purchase agree shown on this ting requirem	such good eement of s voucher ents of S owers and	ods or services or r contract to wh is correct and a ection 5.1 of 'Ar I duties and to m	n goods neet all ich this approved Act to	or services wa the required s voucher relat I for payment create the Bu	standar es; and . If app ureau d	d that the amount licable, the repor-		
35. For Agency		nly		Indic	ator		agency and the incurred; that purchase agree shown on this ting requirem to define its p	such good eement of s voucher ents of S owers and	ods or services or r contract to wh is correct and a ection 5.1 of 'Ar I duties and to m	n goods neet all ich this approved Act to	or services wa the required s voucher relat I for payment create the Bu	standar es; and . If app ureau d	d that the amount licable, the repor- of the Budget and		
35. For Agency	yment			Indic)	ate	agency and the incurred; that purchase agree shown on this ting requirem to define its p	such good eement of s voucher ents of S owers and	ods or services or r contract to wh is correct and a ection 5.1 of 'Ar I duties and to m	n goods neet all ich this approved Act to	or services wa the required s voucher relat I for payment create the Bu	standar es; and If appureau o , appro	d that the amount licable, the repor- of the Budget and		

FORM C-02

Contractual Service Voucher

EXHIBIT III

STATE OF ILLINOIS

Certification

Name and Location of State Agency or Institutions

3.

2. Social Security Number

Preparation instructions for this form are on the back of:

1

5. Voucher No.

a. Copy 6 for payee.
b. Copy 5 for State agency

1. Certific			2. Soc	ial Sec	curity I	Number		3. pts	ace X in block	5. Vo	ucher No			
I hereby certify the ed the withholding the back of this for	that the		310	-36-	-6795	L	3	if this is your rst request for t this address.	6. Voucher Date 7-18-91 7. Account Code					
number of federal and state ex- emptions claimed below does not		does not	4. Pay	ee Nar	me —	(Last-Fi	rst-Middle) — and Address				36091-12	200-0	00-00	
exceed the number to which I am entitled. I further certify that I am in compliance with the provisions of the Illinois Purchasing Act prohibiting conflict of interest (III. Rev.			,			•				001-	30091-12	.00-0	70-00	
				n G. Ple		nes nt St	reet		8 a. State Cont. to Medicare Acct. #					
Stat. 1985, ch. 12 which is quoted in of the first copy.	Any	town	, II	. 60	000			8 b. S	tate Cont. to	are Amount				
. Give complete d	escript	ion of service	s rend	lered,	rate of	compe	nsation, period	of time co	vered and exper	nses inc	curred.			
Services	rend	ered for	the	per	iod	7-1-	91 thru 7-	-15-91	per contr	act.				
\$1,000.00														
Taxable Income	Fed. Ex.	Federal Withholdi Tax Amou	ng	Mar. Status		State Tax Code	State Withholding Tax Amount	MC Code	Medicare Amount	Code	Amoun	t	Net Earnings	
10.	13.	14.		15.	16.	17.	18.	19.	20.	21.	22.		23.	
925.00	1	103.1	1	M	1	1 -1	26.50	200 101	20.1 Ret. Amt.				795.39	
11. Non-Taxable Ex. Expenses: In block 11, enter the amount of no you incurred for which you aree allowed reimbuterms of the contractual agreement.							ursement under	ment under the Ret.Cd.			Enter Amount From Block 1	103.17		
12.	12.									Sum of 25. 23 and 24 8			25. 898.56	
Enter Sum of 10 and 11								Treasurer State of Illinois-				Enter Amount From 14		
		-					Revenue Illinois Department of				nter Amount From 18	26.50		
											nter Amount From 20	28.		
Disposition	Disposition of Copies					Pay	Teachers' Retirement System-			Enter Amount From 20.1			28.1	
Comptroller Agency Agency		2-If So			tten					nter Amount From 22	29			
Remittance Cop Agency			5-If No			mmercia								
6. Retained By Pa	уөө		6-Weekly 7-Bi-Weekly				Expenditur	e Object		tion Number F		-	Add 25 thru 29	
			30.	2			31. 1245		32. 123456	78		33.	34. 1,028.17	
35. For Agency Use Only 36. Split Reporting Indicator						Certification of Receiving Agency I certify that the goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred; that such goods or services meet all the required standards set forth in the purchase agreement or contract to which this voucher relates; and that the amount								
Approved for Payment							shown on this voucher is correct and approved for payment. If applicable, the reporting requirements of Section 5.1 of 'An Act to create the Bureau of the Budget and to define its powers and duties and to make an appropriation, approved April 16, 1969 as amended, have been met.					of the Budget and		
Head of Unit or Authorized Agent Date							(Date)		Agency Head (Signature					